



STAKEHOLDER GROUP MEETING – SYNOPSIS

MEETING DATE: 6/23/2008

ATTENDEES: COUNCILMEMBER PETE CONSTANT, CHAIR

MEMBERS: LORIE BIRD, ELIZABETH BRIERLY, BOB BROWNSTEIN, YOLANDA CRUZ, CHARLES JONES, MICHELLE LEW, STEVE MOORE, DAVE PERSELIN, ED RAST, JEFF RUSTER, JAN SCHNEIDER, RANDY SEKANY, SUZANNE WOLF

ABSENT: CARL COOKSON, PAT DANDO, ERNIE GIACHETTI, BOBBY LOPEZ, KEN WILLEY

STAFF: DEBRA FIGONE, CITY MANAGER, HARRY MAVROGENES, REVEVELOPMENT AGENCY, JANE LIGHT, CITY MANAGER'S LIAISON, SHAWN SPANO, FACILITATOR.

Welcome/Introductions/Process Overview

- Councilmember Constant called the meeting to order at 6:13 p.m. by welcoming everyone. Shawn Spano has returned and will resume his role as facilitator.
- Update on Council Action taken at a Special Council Meeting on June 19. The City Council discussed proposed ballot measures. The Council voted to move forward and conduct further research and polling on the following:
 - Communication Tax to replace the ECSS 9-1-1 fee as a general tax.
 - Modernize the Telephone User's Portion of the Utility Users Tax
 - Extending lease agreements at parks
 - Tying City Council Measures to a percentage of judges salaries
 - Return with more information for a Card Room Business Tax Increase
- Packets the Stakeholders received tonight include a synopsis of the June 2 meeting. Tonight, stakeholders will continue to discuss Stakeholder Suggested Strategies.
- The discussion will begin on Page 7 with the Economic Development Theme. The themes and strategies in light gray font have already been discussed.
- City Employment Theme will be deferred for discussion to a July Stakeholder meeting. The Office of Employee Relations will send a representative to give the group a background on City labor policies.

Budget Strategy Exercise

- The group will continue to use the following ground rules for good discussion:
 - Listen, Be Curious, and Speak with Kindness;
 - Three Criteria to consider while reviewing suggestions:
 - Is it a clear strategy?
 - Does it have potential to significantly reduce the General Fund Budget Deficit?
 - Can it be implemented within three years?
 - Stakeholders will continue to discuss strategies in the "General Fund Structural Deficit Elimination Plan Strategy Development" sheet for discussion topics
 - Strategy suggestions reflect those emailed to the Chair and those included in the San Jose Excels! Report.
 - The group will begin the discussion with the Economic Development Theme and will go through the remaining categories. If the group does not complete all categories, we will finish the discussion on July 7.

Councilmember Constant reminded the group to focus on the advantages and concerns of the strategies and not implementation. Stakeholders who recommended a strategy can help start off concept to explaining to the group their suggestion.

DISCUSSION OF STRATEGY THEMES

THEME: ECONOMIC DEVELOPMENT

STRATEGY	<p><i>Economic development strategies need to be targeted towards businesses that produce general fund revenues. (Bob Brownstein)</i></p> <ul style="list-style-type: none"> • <i>A firm that is located in an RDA project area, only produces services, and has minimal electricity needs may generate no property taxes and minimal sales taxes or utility taxes. This limited positive revenue effect will be true even if the firm employs 1000 workers. Note that the data presented to the Envisions San Jose 2040 committee shows job growth dominated by professional and information services, industries that do not generate significant sales tax. Similarly, locating a firm downtown and assuming the workers expenditures for lunch will generate substantial tax revenues is unrealistic. If 1000 workers eat lunch downtown every business day and spend \$10.00 per lunch, the total annual sales tax revenue generated will be \$26,000.</i> 			
	ADVANTAGES			CONCERNS
1.	Outside RDA- generates property tax to City		1.	High quality jobs may not generate much tax revenue (e.g. high-tech jobs)
2.	High utility use – brings in UUT revenue		2.	Could lead to a City of big box retail

3.	Produces things that produce sales tax	3.	Do we want to just be a big box City? Job creation-high quality is also a goal
4.	Business to business generated sales tax has diminished		
5.	Shows/demonstrates that everyone/ every entity is part of the solution		

Stakeholder Question: Can some economic development activity address deferred maintenance?

STRATEGY		<i>Adopt a "Santana Row" retail strategy that places retail outlets on the city's periphery where they are most likely to attract purchases from residents of nearby jurisdictions</i>	
	ADVANTAGES		CONCERNS
1.	Santana Row has a different policing strategy than downtown	1.	Sales Tax Leakage
2.	Merchandise vs. food and entertainment strategy. Copy Santana row, more entertainment, restaurants		
3.	Need Critical mass of residents and venues to generate foot traffic		
4.	Citywide retail development will bring in more sales tax dollars. (e.g. North San Jose retail could bring in Milpitas resident dollars)		
5.	Nearby jurisdictions sales tax		

STRATEGY		<i>Revise the city's hotel strategy to permit additional hotels on the periphery of the city in order to increase TOT revenues</i>			
	ADVANTAGES			CONCERNS	
1.	Like retail, hotels on periphery will bring in revenues from residents/ business in nearby jurisdictions		1.	Do hotel developers know the City changed its policy changed to encourage hotels 200+ rooms	
2.	Growth in business park hotels-generate \$1-2 million a year		2.	Is demand saturated? May not be big boom in the short term	
3.	Periphery hotels would not compete with downtown hotels				
4.	Hotel visitors feed retail				
5.	New hotels would provide entry-level service jobs				

STRATEGY		<i>Coordinate City economic development programs with San José State University to maximize benefits from the university's capacities as a research center and as a major contributor to training the region's skilled workforce. (SJ Excels!)</i>			
	ADVANTAGES			CONCERNS	
1.	SJSU applied research and work force development (e.g. Green Vision) Also look at Community Colleges				

Stakeholder Comment: The City's Work2Future program has an ongoing collaboration with SJSU.

STRATEGY	<p><i>Establish an Economic Development Advisory Committee to solicit and evaluate economic development proposals from community organizations, businesses, and the public at large. (SJ Excels!)</i></p> <p><i>and</i></p> <p><i>Design programs that encourage the growth of small businesses, including strategies to assist such firms in securing city contracts. (SJ Excels!)</i></p>			
	ADVANTAGES			CONCERNS
1.	Small Business Commission role could be expanded to evaluate economic development proposals		1.	Cumulative costs of licenses, permits, etc. are high. More expensive for small business
2.	Small Business is 80% of local economy- change there has no immediate impact.		2.	Lift regulations and fees to allow market forces to prevail.
3.	Understand the costs of small business- let's quantify it. Find out how we treat small business and publicize that.		3.	Faster processing of permits, licenses would be more attractive than lower costs
4.	Business Owner Space (BOS) website ties services together		4.	Don't oversimplify- be targeted
			5.	Lift regulations and fees to allow market forces to prevail. Incentives may disort business results

Stakeholder Comment: Anecdotal Information of small business horror stories- don't know if it is true.

Request for information: What is the vacancy rate of office and office condo and retail?

Request for information: How many total businesses, what percentage, require extra permits from the City? How long does it take to get them?

Stakeholder Comment: Lifting regulations will result in more business activity/growth.

Stakeholder Comment: Missing facts, who has low-wage jobs- teens, heads of family, etc.

STRATEGY	<p><i>Direct the city's economic development strategy to emphasize the generation of high-quality jobs with good wages and benefits.</i> <i>and</i> <i>Expand the city's Living Wage policies to include additional firms, thereby increasing the number of self-sufficient households in San José neighborhoods.</i> <i>and</i> <i>Modify the enforcement of the city's prevailing wage regulations to target contracts in which violations are more likely to occur while reducing resources focused on contracts such as Project Labor Agreements which have their own alternative enforcement mechanisms.</i></p>			
	ADVANTAGES			CONCERNS
1.	With living wage, people would not require subsidized health care, etc.		1.	Average wages high already-need to focus on service jobs
2.	Values issue, not just dollars.		2.	Lost many high wage jobs in 2000 downtown
			3.	In San Jose, there is a lower percentage of the high-wage jobs available in the Silicon Valley region.
			4.	Hourglass economy but top getting smaller and bottom bigger
			5.	Expansion of Living Wage policies to businesses getting subsidies would have impact on business generation.
			6.	High cost of living is a problem, but living wage is not a solution.
			7.	Living wage requirements may reduce the number of jobs
			8.	Living wage adds to City's cost of doing business
			9.	A job at low wage may be better than no jobs

THEME: STATE LEGISLATION

- Are we (Stakeholders) able to influence these things?

STRATEGY		<i>Sales taxes should be expanded to services. As that occurs, the sales tax rate can be somewhat reduced.</i>	
	ADVANTAGES		CONCERNS
1.	Lower rate if broadening sales tax	1.	What services will be taxed? Consultants and out of state clients would have to "eat" the tax.
2.	Sales tax would be a major City revenue source directly tied to strength of local economy	2.	People would be creative to avoid paying
		3.	Small business would have new record keeping role.
		4.	Overall city revenue has gone up, so sales tax should be considered in context of revenue

STRATEGY		<i>Identify strategies that require state legislative approval and advocate for policy changes that will help address the structural deficit</i> and <i>Strongly support state legislation or state initiatives to reform California's public finance system. Any major proposal should include expanding the sales tax to services and allowing a limited percentage of RDA tax increment funds to be used for public services needed to accomplish Redevelopment Project Area objectives.</i>	
	ADVANTAGES		CONCERNS
1.	Takes time but can result in real improvement in financial situation		

Stakeholder Comment: This legislation work be looked at/worked on in future.

Stakeholder Comment: Rental Car Contract tax- this would require a change in State statute.

Stakeholder Comment: Sales tax on services – already under discussion

STRATEGY		<i>When property has not been reassessed in 10 years, its assessed value shall be increased by 10% provided that the new value is not greater than market value and the new value is not greater than the cumulated 2% annual increase plus the rate of inflation over the 10 year period.</i>	
	ADVANTAGES		CONCERNS
1.	People who own their home long time, may use Government services less (schools, etc.)	1.	Long time property owners pay much less property tax than more recent homeowners
2.	Proposition 13 has smoothed property tax revenue stream- average 77% increase	2.	Babyboomer owners will stay put- not go for this

STRATEGY		<i>Once every 6 years, local governments should be allowed to place a special tax before the voters that can be adopted by 50% of the voters plus one.</i>	
	ADVANTAGES		CONCERNS
		1.	Wants 2/3 requirement for special tax
		2.	Overlapping levels of government- County, VTA, could be one every year
		3.	55% super majority would be better

STRATEGY		<i>Strongly support state legislation or state initiatives to reform California's public finance system. Any major proposal should include expanding the sales tax to services and allowing a limited percentage of RDA tax increment funds to be used for public services needed to accomplish Redevelopment Project Area objectives.</i>	
	ADVANTAGES		CONCERNS
1.	Statutory change request: Some percentage of RDA funds should go to services to meet RDA area goal	1.	Would be difficult to get through state legislature
		2.	Would this change result in migration of most RDA money to services from capital?

Request for information: How much revenue did Downtown generate, before Redevelopment, in constant dollars?

STRATEGY		<i>Public Safety parcel tax or a modification in the utility tax to cover inter-state and international phone calls.</i>	
		<ul style="list-style-type: none"> <i>Offer the voters the opportunity to significantly increase the size of the San José police force and meet critical needs in the fire department and other emergency services departments.</i> 	
	ADVANTAGES		CONCERNS
1.	Lets voters decide if they want to pay more for higher levels of service	1.	Adds to police force but does not address the structural deficit?
2.	Residents and Council want more public safety services- this would fund this need	2.	Core services should be covered by basic revenue streams
	May take pressure off General Fund for other services		How can we assure that this money is not substituting General Fund support for public safety

THEME: Redevelopment Agency

STRATEGY		<i>Reinstate the program through which the RDA pays the park impact fees on affordable housing projects financed with RDA resources.</i>	
	ADVANTAGES		CONCERNS
1.	If RDA "cap" is raised, money may be available for park impact fees	1.	Affordable housing developments are currently exempt from Park Impact fees
		2.	Very difficult to finance and build affordable housing- therefore they are exempt from park impact fees. But parkland is needed for all residents.

STRATEGY		<i>Whenever feasible, employ RDA resources wherever feasible in energy conservation and clean energy projects.</i>	
	ADVANTAGES		CONCERNS
1.	Saves money.	1.	More efficient energy uses, less UUT

STRATEGY		<i>Evaluate hiring a Grants Development professional the cost of which would be covered by the generation of new revenues.</i>	
	ADVANTAGES		CONCERNS
1.	By securing grant revenue, this person should be able to pay for themselves	1.	A person or a function?
2.	City has partnerships they can build on for grant applications	2.	Grant funds are for limited time periods- can build up expectations that service will continue
3.	Volunteer Involvement	3.	COPS grant only funds officers for three years, afterwards, the City pays for their salaries.
4.	Design for short term		

STRATEGY		<i>Increasing the business tax and/or increasing the number of tables in Card Rooms. Note: Stakeholder Group continued this discussion in an effort to provide more information to Council as they consider a potential ballot measure on this strategy.</i>	
	ADVANTAGES		CONCERNS
1.	Increase in tables and tax is a good case. From 80 to 100 tables same number of sites, very heavily policed, card room operators would not oppose, recreational gamblers- put formed into programs for problem gamblers	1.	Would need to dedicate some money to treatment
2.	Tax alone would bring in revenue		
	Increase in tax and tables would be win-win		
	More jobs at clubs and sales tax on food/drinks.		

Presentation and Discussion of Work Plan

- Councilmember Constant presented a draft work plan for future meetings, Management Partners and Stakeholder Strategies will be grouped to focus on particular themes during meetings.
- The City Employment discussion on July 7 will be postponed to a later date to allow the City's labor groups to participate in the discussion.
- July 7 meeting will discuss the theme "What businesses should the City be in?" and "How to Operate with an Eye to Reducing Costs."
- Budget deficit elimination strategies can be emailed to pete.constant@sanjoseca.gov, and please type "Stakeholder Group" in the subject line. Councilmember Constant will forward questions and strategies to the Administration.

Meeting was adjourned at 9:00 p.m.